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NEWS

U.S. DEPARTMENT OF AGRICULTURE

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U.S. SUSPENDS SHIPMENTS OF AGRICULTURAL COMMODITIES TO THE SOVIET UNION

WASHINGTON, Jan. 5—The following is the statement issued today by Secretary of Agriculture Bob Bergland regarding President Carter's decision to suspend shipments of agricultural commodities to the Soviet Union.

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For urgent reasons of national security and foreign policy, the President has directed the Secretary of Commerce, in consultation with the Secretary of Agriculture, to suspend all grain shipments to the Soviet Union in excess of the 8 million tons per year which we are committed to sell under our five year grain sale agreement. The President has also directed that exports of other agricultural products to the Soviet Union be suspended.

The President has very broad powers under the Export Administration Act of 1979 to suspend the export of goods, including agricultural commodities. Exports may be suspended for three reasons: (a) national security; (b) foreign policy; and (c) short supply in the domestic economy. When the shipment of goods are suspended for national security reasons, the statute does not require prior consultation with Congress or subsequent reporting to, or approval by, Congress. However, if the suspension is imposed for foreign policy reasons, the President is directed "in every possible instance" to consult with Congress before imposing export controls and to report to Congress immediately after imposing the controls as to the basis for his action. In addition, in the case of a suspension on exports of agricultural commodities for foreign policy reasons, the statute provides a 30-day period after the President acts within which Congress may, by action of both Houses, overturn the suspension. Of course, the suspension would be effective unless or until Congress acted.

The consultations with Congressional leaders have taken place and the President has decided to suspend shipments of agricultural commodities to the Soviet Union for urgent reasons of national security and foreign policy.

The President has also directed that actions be taken to insure that the burden of the suspension on agricultural deliveries to the Soviet Union will not fall unfairly on farmers.

The Domestic Impact

In the absence of actions to offset the decline in export shipments and the associated decline in commodity prices, the suspension on shipments of agricultural commodities would have these impacts:

- A reduction in 1980 farm income on the order of $3.0 billion. This would be the consequence of a decline of about 4 million tons (147 million bushels) of wheat, about 13 million tons (512 million bushels) of corn and about 1 million tons (37 million bushels) of soybeans and soybean products, and a decline in calendar year 1980 prices of about 15 cents a bushel for corn and the other feed grains and 25 cents a bushel for wheat and soybeans.

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- A reduction in the value of agricultural exports of about $3.0 billion. About two-thirds of this would be a reduction in the value of corn exports, with the remainder mostly wheat, soybeans and soybean products, but including some reduction in the value of exports of chicken, inedible tallow, nuts and preparations, cattle hides, and other commodities.

- A small, but essentially negligible, downward thrust on consumer prices for food in 1980. At most, the impact would be a 0.2 downward impact on the consumer price index for food, and a 0.04 percent reduction in the overall CPI.

Offsetting the Domestic Impact

The President has directed that actions be taken to assure that the burden of the suspension on agricultural export deliveries to the Soviet Union will not fall unfairly on farmers.

The Secretary of Agriculture will use existing authorities to remove feed grains and wheat from the market and to offset the expected decline in market prices:

Reserve Program Modifications

To encourage producers to place additional grain in reserve, the regulations governing the farmer-owned grain reserve programs will be amended.

Changes in the grain reserve program regulations now being considered include increasing reserve release prices to around $3.75 a bushel for wheat and $2.63 for corn; widening the gap between the release and call prices for reserves, from 84 to 100 cents for wheat, and from 30 to 50 cents for corn; waiving first year interest costs for grain entered into reserve; and increasing the annual storage payment for reserve grains. Reserve programs for other commodities will be proposed for public comment if the price situation warrants.

Wheat Purchases

To assure that the unshipped wheat is removed from the market, the Commodity Credit Corporation is prepared to purchase up to 4 million tons of wheat.

We will request an urgent supplemental for FY 1980 to augment current foreign food assistance programs. Purchased wheat would be used to assure that our future food aid commitments are met.

We believe that most of the 13 million tons of corn affected can be diverted from the market through our amended reserve program. If necessary, we will take additional steps to remove this corn from from the market.

Acreage Diversion

To prevent excessive production in 1980, we are prepared to offer paid diversion programs for grain producers this year if subsequent developments warrant.

Commercial Export Promotion

To promote the exportation of U.S. agricultural products in other commercial markets, amendments to the non-commercial risk assurance export credit program will be proposed to make it a fully federally guaranteed credit program. Export credit funds will be increased to $1.8 billion in FY 1980—$1.0 billion in guaranteed and $0.8 billion in direct loans—and $2.0 billion, all fully guaranteed, in FY 1981.

Alcohol Fuels

In addition to the traditional sources of demand for agricultural products, the production of alcohol for gasohol will be an increasing source of demand for agricultural products. At present, quantities used to produce alcohol are small, but with the incentives supported by the Administration, future growth will be rapid.

Net Impacts

The measures being taken to offset the impact will essentially eliminate the reduction in farm income, but will add $2.5 to $3.0 billion to budget outlays during FY's 1980 and 1981, with about $2.0 billion of the increase coming in FY 1980. Most of the increase in budget outlays will be associated with the removal of corn and wheat from the market, and, therefore, the budget impact will be lowered when these commodities move back into the market and loans are repaid or sale proceeds obtained.

Assuming a suspension through CY 1980, the reduction in the value of agricultural exports would be $2.0 to $2.25 billion.

Impact on the USSR

In his speech at the November 27 party Plenum, General Secretary Brezhnev stated that the 1979 Soviet grain crop totaled 179 million tons, which is 58 million tons below record 1978 production and 48 million tons below plan. Our estimates had been that the Soviet Union would import 34 million tons of grain from all sources, and after allowing for minor exports of about 1 million tons, would have 212 million tons available for use. Our estimate of utilization was 228 million tons, with 128 being fed to livestock. This estimate implies a reduction of 16 million tons in their grain stocks.

The United States was expected to supply 25 of the 34 million tons of imported grain. The reduction of 17 million tons would reduce total USSR grain imports to 17 million tons if no other countries increased their exports to the Soviet Union. This would reduce the availability of grains from the current crop plus net imports to about 195 million tons. This would be 36 million tons or nearly 16 percent below the quantity used last year. Reductions would have to be made in grain fed to animals and the amount available for feeding would be nearly 30 percent below the quantity fed last year. The Soviets should be able to reduce stocks significantly after last year's record crop, but even so there would be a very substantial reduction in grain available to feed to livestock.

Even if some other countries export more to the Soviet Union, the actions the Administration is taking should still require a significant reduction in grain fed to animals—on the order of a 10 percent reduction over the 9 remaining months before new crop supplies are readily available.

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